

October 15, 2004



Financial Management

Promptness of FY 2005 First
Quarter DoD Payments to the
Department of the Treasury for
District of Columbia Water and
Sewer Services
(D-2005-004)

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Acronyms

DCWASA

District of Columbia Water and Sewer Authority



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

October 15, 2004

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
NAVAL INSPECTOR GENERAL
DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
DIRECTOR, WASHINGTON HEADQUARTERS SERVICES

SUBJECT: Report on Promptness of FY 2005 First Quarter DoD Payments to the
Department of the Treasury for District of Columbia Water and Sewer
Services (Report No. D-2005-004)

We are providing this report for your information and use. The report is one in a series of audits we conducted in response to the requirements of Public Law 106-554, the Consolidated Appropriations Act of 2001. No written response to the report was required, and none was received. Therefore, we are publishing the report in final form.

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Barbara A. Sauls at (703) 325-5782 (DSN 221-5782) or Ms. Monica M. Harrigan at (703) 325-5930 (DSN 221-5930). See Appendix C for the report distribution. The team members are listed on the inside of the back cover.

A handwritten signature in black ink, appearing to read "Paul J. Granetto".

Paul J. Granetto, CPA
Assistant Inspector General
Defense Financial Auditing Service

Office of the Inspector General of the Department of Defense

Report No. D-2005-004

October 15, 2004

(Project No. D2005FH-0025.000)

Promptness of FY 2005 First Quarter DoD Payments to the Department of the Treasury for District of Columbia Water and Sewer Services

Executive Summary

Who Should Read This Report and Why? Individuals who have a direct interest in, or are in need of information about, the promptness of water and sewer payments to the District of Columbia may find pertinent information in this report.

Background. We conducted the audit to meet requirements of Public Law 106-554, the Consolidated Appropriations Act of 2001. The Act requires the inspector general of each Federal agency that receives water and sewer services from the District of Columbia to report to the Congressional Appropriations Committees on the promptness of payments within 15 days of the start of each quarter. The District of Columbia Water and Sewer Authority supplies both water and sewer services to Federal agencies and DoD Components within the National Capital Region. The Department of the Treasury is the collection agent for Federal agencies and DoD Components' water and sewer payments, with the Department of the Treasury submitting a single payment to the District of Columbia Water and Sewer Authority. The DoD Components, composed of 15 separate installations, sites, and organizations, are required to make advance quarterly payments to the Department of the Treasury for estimated bills on anticipated water use in FY 2005. If the Components' actual bill for use of water and sewer is lower than the estimated bill for those services, they receive a credit 3 years after the payment, which is the time it takes for billing reconciliation.

Results. All DoD Components, except Walter Reed Army Medical Center, promptly made first quarter FY 2005 net payments totaling \$1.2 million to the Department of the Treasury for District of Columbia water and sewer services. The Department of the Treasury stated that a payment will be made on behalf of Walter Reed Army Medical Center on October 15, 2004, instead of October 1, 2004, as required by law. This late payment is due to Walter Reed Army Medical Center having no established accounts for FY 2005. Fort McNair, the Navy, Bolling Air Force Base, Washington Headquarters Services and Walter Reed Army Medical Center were the only DoD Components required to pay this quarter. The National Geospatial-Intelligence Agency and Arlington National Cemetery have credit balances from prior overpayments and were not required to make payments for the first quarter.

Management Comments. We provided a draft of this report on October 8, 2004. No written response was required, and none was received. Therefore, we are publishing the report in final form.

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Background

This audit was required by Public Law 106-554, the Consolidated Appropriations Act of 2001. Public Law 106-554 states:

Not later than the 15th day of the month following each quarter, the inspector general of each Federal department, establishment, or agency receiving water services [or sanitary sewer services] from the District shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate analyzing the promptness of payment with respect to the services furnished to such department, establishment, or agency.

This report covers FY 2005 first quarter payments and is one in a series of reports discussing the promptness of DoD payments to the Department of the Treasury for District of Columbia water and sewer services.

The District of Columbia Water and Sewer Authority. The District of Columbia supplies both water and sewer services to Federal agencies and DoD Components within the National Capital Region. Since October 1996, the District of Columbia Water and Sewer Authority (DCWASA) has been responsible for delivery of water and sewer services to DoD Components. DCWASA provides meter readings and annual estimated billings to the Department of the Treasury for water and sewer services provided to the Federal agencies, including DoD Components.

Department of the Treasury Responsibility. Under the District of Columbia Public Works Act of 1954, the Federal Government was to receive water and sewer services from the District of Columbia, and the District of Columbia was paid with an annual lump sum in accordance with the District of Columbia Appropriations Act. The District of Columbia Appropriations Act of 1990 (Public Law 101-168) changed the payment process by designating the Department of the Treasury as the collection agent for the Federal agencies' water and sewer payments, with the Department of the Treasury remitting a single quarterly payment to the District of Columbia. Public Law 106-554 amends the process Federal agencies use for making payments to the Department of the Treasury. When agencies do not forward timely payments of amounts that DCWASA bills, the Department of the Treasury is now authorized and directed to automatically withdraw funds from Federal agencies and provide those funds to DCWASA by the second day of each quarter. The Department of the Treasury bills Federal agencies and DoD Components annually for their estimated water and sewer use and makes quarterly payments to DCWASA based on meter readings and estimates DCWASA provides. The DoD Components are required to make quarterly payments to the Department of the Treasury for those annual estimated bills. See Appendix B for a list of DoD Components, composed of 15 separate installations, sites, and organizations that received DCWASA services.

Federal Agency Responsibility. Public Law 101-168 mandates responsibility to the respective Federal agencies for payment of water and sewer services. The funds for the DoD Components receiving water and sewer services come through each agency's operating budgets and their respective appropriations bills for the

current fiscal year. Each quarterly payment is due to the U.S. Treasury account, “Federal Payment for Water and Sewer Services,” on the first day of the quarter. If the Components’ actual bill for use of water and sewer is lower than the estimated bill for those services, they receive a credit 3 years after the payment, which is the time it takes for billing reconciliation.

Objective

The audit objective was to determine the promptness of DoD FY 2005 first quarter payments to the Department of the Treasury for District of Columbia water and sewer services. See Appendix A for a discussion of the scope and methodology and prior coverage related to the objective.

DoD FY 2005 First Quarter Payments to the Department of the Treasury

All DoD Components except Walter Reed Army Medical Center promptly made first quarter FY 2005 net payments totaling \$1.2 million to the Department of the Treasury for District of Columbia water and sewer services. The Department of the Treasury stated that a payment will be made on behalf of Walter Reed Army Medical Center on October 15, 2004, instead of October 1, 2004, as required by law, because Walter Reed Army Medical Center has no established accounts for FY 2005. Fort McNair, the Navy, Bolling Air Force Base, and Walter Reed Army Medical Center were the only DoD Components required to pay this quarter. The National Geospatial-Intelligence Agency and Arlington National Cemetery have credit balances totaling approximately \$75,000 for the quarter from prior overpayments.*

As shown in the following table, DoD Components were billed \$1.7 million, paid \$1.3 million (net payment \$1.248 million), and had credits of approximately \$75,000 from prior overpayments for the FY 2005 first quarter payments.

DoD Components' FY 2005 First Quarter Estimated Bills, Credits, and Payments (As of October 1, 2004)				
	\$ in thousands			
	Estimated Bills Annual	Quarterly	Quarterly Credits ¹	Average Quarterly Amount Paid
Washington Headquarters Services	\$ 994	\$ 249	\$ 0	\$ 249
Arlington National Cemetery	0	0	(30)	0
Walter Reed Army Medical Center	1,752	438	0	0
Fort McNair ²	80	20	0	20
Navy ³	1,858	464	0	464
Bolling Air Force Base	2,239	560	0	560
National Geospatial-Intelligence	0	0	(45)	(45)
Total	\$6,923	\$1,731	\$(75)	\$1,248⁴
¹ For FY 2005, Arlington National Cemetery and National Geospatial-Intelligence Agency received total credits of approximately \$120,000 and \$180,000, respectively, because of excess charges in prior years.				
² Fort McNair includes National War College and National Defense University Center.				
³ Includes Anacostia Naval Station, Bellevue Naval Housing, Naval Observatory, Marine Corps Barracks (8th and I), Naval Research Laboratory, Nebraska Avenue Annex, and Washington Navy Yard.				
⁴ Net payment.				

* The Department of the Treasury stated that Arlington National Cemetery refuses to accept the quarterly Intra-governmental Payment and Collection transactions to obtain their credit[0]. The Department of the Treasury plans to issue a one time check payment to Arlington National Cemetery on July 2, 2005[0].

Appendix A. Scope and Methodology

We reviewed the billing information from the Department of the Treasury for DoD Components' water and sewer services to establish the amounts billed. We contacted the Department of the Treasury to confirm that funds available to DoD Components were withdrawn to pay the District of Columbia for FY 2005 first quarter water and sewer bills.

We performed this audit in October 2004 in accordance with generally accepted government auditing standards.

We did not review management controls because the audit is required every 3 months by statute and an audit of the management control program was reported on in Inspector General of the Department of Defense (IG DoD) Report No. D-2002-140.

Use of Computer-Processed Data. We relied on the Intra-governmental Payment and Collection Documents provided by The Department of the Treasury. Nothing came to our attention as a result of specified procedures that caused us to doubt the reliability of the Computer-processed data.

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the DoD high-risk area identified as, "Confront and transform pervasive, decades-old financial management problems."

Prior Coverage. During the last 5 years, the IG DoD has issued 16 reports discussing the promptness of DoD payments to the Department of the Treasury for District of Columbia water and sewer services. Unrestricted IG DoD reports can be accessed at <http://www.dodig.osd.mil/audit/reports>.

Appendix B. DoD Customers of the District of Columbia Water and Sewer Authority

According to DCWASA, the list below identifies the 15 DoD Components for which DCWASA provided estimated bills to the Department of the Treasury for water and sewer services during FY 2005.

Army

Arlington National Cemetery
Fort McNair
Walter Reed Army Medical Center

Navy

Anacostia Naval Station
Bellevue Naval Housing
Marine Corps Barracks (8th and I)
Naval Observatory
Naval Research Laboratory
Nebraska Avenue Annex
Washington Navy Yard

Air Force

Bolling Air Force Base

Other Defense Organizations

National Defense University Center
National Geospatial-Intelligence Agency
National War College
Washington Headquarters Services

Appendix C. Report Distribution

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Commander, Walter Reed Army Medical Center
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Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force
Commander, Bolling Air Force Base

Combatant Command

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House Subcommittee on Defense, Committee on Appropriations
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House Committee on Government Reform
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform

Team Members

The Office of the Deputy Inspector General for Auditing of the Department of Defense, Defense Financial Auditing Service prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

Paul J. Granetto
Barbara A. Sauls
Monica M. Harrigan
George B. West Jr.
Brantley Thomas Jr.
Carmen D. Ellis
Alisha Eze
Catherine Bird